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TRADE AND DEVELOPMENT BOARD
Thirty-eighth session
First part
Geneva, 23 September 1991
Agenda item 8 (c)

EXPORT PROMOTION: REPORT OF THE JOINT ADVISORY GROUP ON THE INTERNATIONAL TRADE CENTRE UNCTAD/GATT ON ITS TWENTY-FOURTH SESSION

Draft decision submitted by Sudan on behalf of the States members of the Group of 77

The Trade and Development Board,

Takes note of the report of the Joint Advisory Group on the International Trade Centre UNCTAD/GATT on its twenty-fourth session (ITC/AG(XXIV)/128 and Add.1);

Welcomes the increase in the level of International Trade Centre's operational activities over the period 1985-1990;

Welcomes the continued co-operation between ITC and UNCTAD with respect to technical co-operation activities in such areas as trade policies/export market development, trade information, human resource development and commodities and encourages the further strengthening of this co-operation;

Recalls paragraph 6 of its decision 384 (XXXVII) and paragraph 1 (b) of General Assembly resolution 45/210 of 21 December 1990, and accordingly requests the International Trade Centre to co-ordinate its activities with UNCTAD in the area of collection of dissemination of information on environmental measures related to trade.

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Agenda item 11

DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD ON THE FIRST PART OF ITS THIRTY-EIGHTH SESSION

Held at the Palais des Nations, Geneva,
from 23 September to 4 October 1991

Rapporteur: Mr. Iñigo Salvador-Crespo (Ecuador)

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INTRODUCTION

1. In his opening statement, the incoming President, Mr. Thomas Ogada (Kenya), said that the current session of the Trade and Development Board was taking place at a time when the world was undergoing sweeping political, economic and technological changes - changes which would have far-reaching implications for the future of the global economy and of international economic relations. They included the recent war in the Persian Gulf, the continued transformation and upheaval in the Central and Eastern European countries, and the acceleration of the movement towards the formation of major regional economic blocs in Europe, North America, Asia, Africa and South America. The Board was mandated to evaluate such changes which impinged on issues of international trade and development as a whole. Among the reports before the Board, he observed that the Trade and Development Report, 1991 attempted to distil and review the recent trends in international trade and development, and it contained some interesting and challenging analysis and policy proposals regarding the interdependence of economic issues and debt.

2. The main theme of interdependence and debt deserved priority attention on the part of the international community. The growing interdependence between countries, sectors and problems was reflected in the growing complexity of international economic relations. Enhanced international coordination and cooperation would be indispensable for managing this growing interdependency so that it could find positive expression in terms of complementarities, solidarity and cooperation rather than in confrontations and conflicts. This would require, among other things, the effective integration of developing countries into the management of the global economy and intensified efforts by debtor and creditor countries to find a lasting solution to the international debt crisis, particularly in developing countries.

3. The current session was also an occasion to reflect on and, as necessary, to provide guidance for further political and substantive work in a number of important areas in the field of trade and development such as "sustainable development" and the "financing of South-South trade". Sustainable development was a new phenomenon whose multifaceted aspects entailed an integrated approach to the problems of environmental issues and international trade, and of poverty eradication. He therefore hoped that this session would provide an opportunity to reaffirm UNCTAD's role in the field of sustainable development.

4. As regards South-South trade financing, he hoped that, drawing inspiration from the in-depth and detailed documentation prepared by the UNCTAD secretariat, the Board could provide directions for further substantive work and political progress in this area, which was crucial to trade and economic cooperation among developing countries. UNCTAD was a unique forum in which the North and South were brought together to discuss in an open manner the problems of economic development and international trade. He therefore urged the participants to be true to the mandate of UNCTAD and to act in a spirit of compromise and cooperation.

5. The Secretary-General of UNCTAD focused on a number of conclusions flowing from the Trade and Development Report 1991. He said that a number of exceptional events and rapid changes were taking place at a time when many economies were particularly vulnerable. The increased interdependence in the world economy, moreover, had tightened the constraints on autonomous policy-making in all countries and heightened the vulnerability of developing countries to shifts in the overall stance of macroeconomic policies in major OECD countries.

6. Future world economic stability and growth required improved management of interdependence. This meant that the national policies of countries having great weight in the world economy should be effectively coordinated; that multilateral surveillance should extend beyond disequilibria affecting the major developed countries to encompass policies in a number of important areas; and that developing countries should be able to participate effectively in decision-making concerning the evolution and functioning of the international monetary and financial systems. Furthermore, international cooperation must be strengthened to improve the structures, systems and arrangements underpinning international economic relations so as to provide stronger support for the development process as well as for macroeconomic management and structural adjustment.

7. The dramatic political and economic developments of the past few years, together with the recent upsurge in ecological awareness, had lent a new sense of urgency to these priorities. There were some indications, however, that the potential of interdependence as a consistent vehicle of growth and development might be gaining wider and deeper recognition.

8. The debt crisis was far from being resolved. There had been some welcome improvements on the commercial debt front, but the incidence was uneven and the picture remained particularly unfavourable for sub-Saharan Africa. The debt and debt-service reductions achieved by recent debt renegotiations had varied considerably from case to case. Unless the Brady initiative was strengthened, the debt reduction that would ensue would be much less than what was required to restore growth and external financial viability. The debt negotiation process needed to be anchored on authoritative estimates of the country's debt reduction and cash flow needs. National laws and regulations in creditor countries should be directed more effectively towards achieving adequate levels of debt-service reduction, and the multilateral financial institutions should be enabled to increase their financial support for debt reductions without reducing their normal lending.

9. In the area of official bilateral debt, the 50 per cent debt reductions granted by Paris Club creditors to Poland and Egypt advanced substantially the international debt strategy by introducing the concept of debt reduction for middle-income countries, and by applying the reduction to the entire stock of debt. But sight must not be lost of the needs of other middle-income countries with heavy burdens of such debt. If it was to foster adjustment and growth, the debt strategy must be governed by objective economic criteria, rather than political preferences or narrow financial concerns.

10. With regard to the low-income debtors, the Toronto terms marked constructive forward movement in the relief of non-concessional official debt, but they fell short of what was warranted by the debt-servicing capacity of such countries. The proposals advanced recently by the United Kingdom and by the Netherlands for much bigger reductions of debt and debt-service deserved serious consideration. Eligibility criteria in the Paris Club should, moreover, be widened to include all heavily indebted countries that were IDA recipients.

11. The issue of multilateral debt had also become a matter of concern for many debtor countries. Although measures had been taken by multilateral institutions to alleviate the debt-servicing burden and to help clear the arrears, further measures were needed to deal with this problem, while safeguarding the soundness of creditor institutions.

12. Concern had been voiced that global savings would not be sufficient to meet demands for external financing from developing and Central and

East European countries. For reasons amply explained in the Trade and Development Report, serious grounds existed for doubting whether there was, however, in any meaningful sense, a global shortage of savings and whether any such shortage was in fact at the root of the financing difficulties faced by developing countries. Financial flows to these countries were constrained by country-specific situations, such as perceptions regarding creditworthiness: an improvement in the level of global savings by itself would not change those factors. Furthermore, it was questionable whether policies to increase savings, which would in fact decrease expenditure, were appropriate during a period of recession.

13. In addition, long-term interest rates did not reflect a global inadequacy of savings, but were rather an effect of increased volatility in the value of long-term financial assets. If banking systems in industrial countries were to prove unable to provide adequate credit to business and to trade in an upswing, then the availability of finance would indeed be a problem. However, that problem would not emanate from the aggregate shortage of savings, but from institutional weaknesses of a large part of the financial system. One way of tackling this problem, in line with a recent Japanese proposal, would be to renew SDR allocations and link them to development finance.

14. The financing difficulties facing developing and other countries, should be approached by focusing policy action on the specific financial conditions facing borrowers, so as to ensure better access to existing savings. Even with better access to external finance, however, developing countries would need to reform their own financial systems considerably. The thrust of current reform efforts was directed at raising and deregulating interest rates, eliminating government direction of credit, and introducing or developing capital markets. This course of policy had its logic but it could easily be pushed too far. Experience had shown that high interest rates did not boost savings and also showed the dangers of liberalizing finance in the absence of macroeconomic stability. As for equity markets, they were not the only, or necessarily the best, option. Other models, such as were to be found in Germany and Japan, in which the banking system played a much greater role in financing business could be even more instructive for developing countries.

15. Policies regarding the public sector, too, had a major role to play in resource mobilization. Considerable scope often existed both for raising public sector savings and for improving the efficiency of public sector investment. In many developing countries, economic revival required a rise in the level of public sector investment, something which called for fiscal reform, the key to which was greater equity and efficiency in taxation.

16. In recent years, there had also been growing recognition of the need to reform State economic enterprises. Privatization was a policy option being actively pursued in many developing countries, often because of fiscal pressure. Its rationale should, however, be long-term efficiency rather than the government's cash flow, and should be accompanied by a careful assessment of the comparative advantages of all the options, bearing in mind the key role of competition as a determinant of efficiency.

17. Addressing other agenda items, he said that ecologically sound and sustainable development represented a vast field for national and international endeavour in which a determined attack on poverty must be central. The secretariat report (TD/B/1304) represented only a first response to the Board's request for an analysis of this issue. The report showed that further exploration was needed of many conceptual and policy issues including technology, resource management and the roles of the polluter-pays and user-pays principles. The secretariat was continuing to study these questions.

18. In response to a request from the General Assembly of the United Nations and in the context of the continuing close cooperation with the secretariat of UNCED, the UNCTAD secretariat had submitted a comprehensive analytical study on the present situation and future trends regarding the relation between environmental issues and international trade to the third session of the UNCED Preparatory Committee.

19. Referring to South-South trade, he said that even where market access was assured, trade could not take root without trade financing on competitive and affordable terms. Adequate longer-term credit facilities to meet this need were lacking in many developing countries. The Board had before it a study on the problems of trade financing in developing countries and on the feasibility of establishing a commercially viable interregional mechanism for financing South-South trade in non-traditional exports (TD/B/1300 and Corr.1). An Ad Hoc Group of Experts convened to examine the study had agreed that the developing countries should be encouraged to improve the efficacy of existing

trade financing mechanisms, but they had also found merit in the idea of establishing a commercially-based interregional facility having a broad membership.

20. He referred to two other secretariat reports. The first (TD/B/1301 and Add.1) contained a brief assessment of the current transit-transport situation in land-locked developing countries and outlined the further remedial action that was required. It also carried the replies received from member States, international bodies and intergovernmental organizations regarding their assistance programmes, which clearly indicated that the level of external assistance was still far from adequate in relation to requirements. The other report (TD/B/1305) examined recent economic developments in the occupied Palestinian territory. The magnitude and nature of the problem pointed to the need for an intensified effort at all levels to revive the Palestinian economy. In this regard the political process currently under way in the Middle East was a most welcome development and positive results could not but improve the prospects for the welfare of the Palestinian people. The UNCTAD secretariat had also undertaken a comprehensive intersectoral study of prospects for the Palestinian economy.

21. On UNCTAD VIII, he stressed the importance of an early beginning to full scale substantive intergovernmental preparatory work since any further delays would make it extremely difficult for the process to culminate in a negotiated text which would be submitted to the Conference, as had been agreed.

22. The spokesman for the Group of 77 (Sudan) observed that the momentous events now taking place, both internationally and institutionally, were a challenge to individual countries and to the world community. For its part, the Group of 77 had been painstakingly preparing for UNCTAD VIII. The three regional components of the Group of 77 had adopted their preparatory documents for the forthcoming Ministerial Meeting of the Group of 77, to be held in the Islamic Republic of Iran. The results already indicated the direction and framework that the developing countries wished to see for UNCTAD VIII.

23. The Group of 77 wished to underline the crucial nature of the themes on the Board's agenda and their vital contribution to enhancing a timely global approach to international development. While all agreed that interdependence was a reality, there seemed to be insufficient institutional mobilization of the positive factors in addressing the forces of this reality. These issues were not confined to UNCTAD but they interdependently featurerd in all

international and multilateral forums, be it in the realm of environment and development and how to strike a balance between these two faces of the same coin, as well as in GATT and the frustrations of all trading partners over the negotiations in the Uruguay Round. The fact remained that the Board was the only forum where an in-depth analysis was being made of interdependence. The Group of 77 would be making detailed statements on the agenda items related to interdependence and to debt.

24. The Group of 77 continued to believe that UNCTAD and, in particular, the Trade and Development Board provided the effective forum for shaping and revitalizing a meaningful North-South dialogue, and his Group was ready and determined to enter into a dialogue on the ways and means of strengthening the institutional effectiveness of UNCTAD. Furthermore, his Group was looking forward to UNCTAD VIII as an occasion for cooperation and not confrontation between the North and the South. The issues on the Conference agenda should be approached with vision, dedication and open minds. Confrontation was to be found, if anywhere, in confronting the issues and not in confronting each other as groups. Hence the need for all to confront poverty in order to eradicate it. And all countries had to confront, according to their weight and capabilities, the risks of a distorted trade system. His Group was, therefore, ready to start the dialogue as from this Board with the aim of reaching by UNCTAD VIII a meaningful consensus on the future management of the world economy and the institutional framework that could effectively contribute to that end.

25. Turning to agenda item 8 (a) on ECDC and the question of the assessment of the feasibility of a trade-financing facility among developing countries, he noted that this was the first time that such detailed studies on trade financing, of the highest substantive and technical calibre, had come before the Board and indeed before any decision-making intergovernmental organ. The seriousness and thoroughness of the secretariat's response reflected no doubt the critical importance of this issue to all developing countries and indeed to the world economy at large. Time and again, experience had shown that monetary and financial obstacles to trade were among the most difficult to remove. The Group of 77 had recognized the importance of this issue in its various meetings and declarations since the Caracas Programme of Action of 1981. This was an endeavour which needed the active participation and collaboration of the developed countries, especially at this time when the

developing countries' development was constrained by foreign-exchange scarcity. His Group noted with approval that the study reached the conclusion, shared by experts, that the establishment of a trade-financing facility was feasible and that, if widely participated in, it would be viable on a commercial basis.

26. This was a timely proposal, which opened the door for private and official participation, for setting up a mechanism based on market criteria which would help the developing countries to further their participation in world trade and push forward their trade liberalization and structural reforms. The proposal was attuned to the spirit of the times. It was so well founded that a distinguished Group of Experts, composed of 20 top-level executives and specialists from all over the world, convened by the Secretary-General of UNCTAD in July 1991, had unanimously found it to be realistic, technically sound and commercially viable. Moreover, the Experts of the Group of 77, meeting in New York (4-9 August 1991) to report on the implementation of the Caracas Programme of Action, had examined these studies and come to the same conclusions regarding the soundness and technical feasibility of the proposed facility.

27. He therefore urged the Board to launch the negotiations on this issue. The Group of 77 accorded the results of such discussions the highest priority. A positive outcome would be a great achievement for this session and indeed for the Board for years to come.

28. Finally, he called on participants not to forget their obligations to the least developed countries, particularly the need to review the implementation of the Paris Programme of Action for the 1990s and the role of UNCTAD in the implementation of this Programme, in the light of the decision adopted by the Board at its thirty-seventh session.

29. The representative of China pointed to the profound economic and political transformations which had led to changes and uncertainties in international economic relations. These included such factors as the diversion of financial flows, the growth of the developed countries' economic groupings and protectionism, the decline of commodity prices, deteriorating terms of trade, the foreign debt burden, the economic recession of the West, and the Gulf war. In the face of an unfavourable external environment, the developing countries' own efforts towards adjustment and reform had borne meagre results. He therefore urged the developed countries to honour their

commitment to halt protectionism and to reduce non-tariff barriers. They should also monitor and examine their regional grouping process and eliminate its closed-door nature and exclusiveness, thus creating favourable conditions for the developing countries to expand their exports.

30. He observed that in the Uruguay Round the negotiations on issues of concern to the developing countries, such as access to markets and textiles, were lagging far behind those which were of concern to the developed countries, such as the so-called "new issues". Failure to achieve a substantial and balanced outcome in the Uruguay Round would have serious consequences for the multilateral trading system and for the trade of the developing countries. He therefore hoped that the negotiations would result in a package of substantial and balanced agreements which fully reflected the interests of developing countries and was acceptable to all parties.

31. With regard to the debt problem, he said that the current debt strategy had considerable limitations. The fundamental solution to the debt problem lay in promoting the economic growth of the debtor countries so as to enhance their debt-service capability. This responsibility should be shared by the creditor countries, the debtor countries, commercial banks and international financial institutions. The developed countries should adopt effective measures to increase financial flows to the developing countries and should ensure that the present debt strategy became a growth-oriented strategy.

32. He noted that there was a growing awareness that the world economy was an integrated one. It was therefore necessary to ensure the full participation of the developing countries in international economic decision-making and to give preferential consideration to the interests of the developing countries in the areas of trade, commodities, finance and debt. Attempts by a few industrialized powers to impose on other countries certain value concepts and development models were both harmful and unworkable. Each country should adopt appropriate policies in line with its own socio-economic system, development path and national conditions, and should participate in international economic cooperation on an equal footing.

33. The evolution of East-West relations and the participation of the Soviet Union and East European countries in the world economic system should enable new horizons to be opened up for expanding international economic cooperation favourable to the development of the developing countries.

However, there were now signs that the world economy and the economic development of the developing countries were facing serious challenges. UNCTAD VIII would provide a good opportunity for revitalizing the world economy and the economy of the developing countries in particular. The Conference should adopt effective practical policy measures to promote the economic growth of the developing countries and to achieve the sustained and steady development of the world economy. He emphasized that the discussions at UNCTAD VIII should be based only on the provisional agenda already approved and on the mandate given by the General Assembly.

34. Finally, he stated that in the past 10 years China had pursued a policy of reform and opening up to the outside world, in line with its actual conditions. Despite problems of one kind or another, in general China's economy was growing steadily and vigorously. China would continue to pursue this policy in order to reach new heights of economic and social development before the end of the century.

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DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD ON THE FIRST PART OF ITS THIRTY-EIGHTH SESSION

Held at the Palais des Nations, Geneva,
from 23 September to 4 October 1991

Rapporteur: Mr. Iñigo Salvador-Crespo (Ecuador)

Addendum

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Chapter I

INTERDEPENDENCE OF PROBLEMS OF TRADE, DEVELOPMENT FINANCE AND THE INTERNATIONAL MONETARY SYSTEM

(Agenda item 2)

and

DEBT AND DEVELOPMENT PROBLEMS OF DEVELOPING COUNTRIES

(Agenda item 3)

35. The UNCTAD Trade and Development Report, 1991 (UNCTAD/TDR/11) was relevant to the Board's consideration of agenda items 2 and 3.

36. The spokesman for the Group of 77 (India), underlining UNCTAD's global policy analysis and coordination role as the very essence of the interdependence paradigm, said that the discussions at this Board session should provide insights and ideas for UNCTAD VIII - an important event in North-South dialogue. The North-South dialogue of cooperation was a matter of both continuity and change and there was the paramount need for continuing the dialogue. The dialogue itself was about change in attitudes and perceptions, in mechanisms and systems that governed international arrangements for trade, money, finance and technology.

37. Despite the fact that adverse external economic environment and inadequate fiscal and monetary policies of the major industrialized countries had resulted in the deterioration of the economic and social problems in developing countries, developing countries had been in the vanguard of change, had carried out often revolutionary economic reforms, and had made structural adjustments which had not been free from hardship and sacrifice. They were waiting for change in the policies and attitudes of their industrialized partners, who had resisted change and postponed constructive actions needed to help developing countries while being preoccupied with Euro-centric and trans-Atlantic issues.

38. The emerging new order involving strategic, political and economic realignments brought on by East-West cooperation, regional economic integration movements and technological and information revolutions called for a new spirit of internationalism and assistance to the developing trading partners. Interdependence of the problems of trade, development finance and

the international monetary system and between and among nations - developed and developing, transitional and market economies - had become stronger with the emergence of a global economy. New concerns about environment, narcotics control, migration and terrorism had combined to create a new awareness of the importance of interdependence. The challenge was to guide and manage it for the benefit of all, particularly the weaker partners in this web of complex global interrelationships.

39. Interdependence implied the interlinked coexistence of all countries, the creation of rights and obligations of a global nature, the coincidence of interests, the imposition of mutual constraints on the autonomy of national and international policy-making and behaviour and the dependence of the prosperity of one on that of the other. Outlining the constituent elements of the phenomenon of globalization of production and trade, he said that it had become another major factor in the intensification of interdependence. For developing countries, this globalization carried with it both infinite promise and some risks, since most of them were not in a position to influence or participate in the process and yet were more vulnerable than developed countries which occupied its commanding heights. The existing asymmetries in the global economy must not be allowed to be accentuated. If developing countries became "global outsiders" the realization of genuine interdependence would be thwarted. The developing world's 1.1 billion poor and hungry must not be further marginalized from the global quest for economic well-being. The strenuous efforts of developing countries themselves to leapfrog into the competitive mainstream of globalization must be fully supported by their developed-country partners. This would call for a new development consensus, a new order, a reinvigorated partnership based on the fusion of generosity and compassion for the human condition with the imperatives of both hard-headed as well as enlightened self-interest of countries and peoples.

40. As the Trade and Development Report emphasized, developing countries' efforts to cope with the pressures of change in the world economy had coincided with their greater vulnerability to the external economic environment. The recessionary perspective faced by developed countries had cast its shadow on the growth prospects of developing countries too. Positive policies and concrete measures would have to be adopted by developed countries to complement what had been recognized by OECD as the historic efforts of

developing countries to contribute to the process of global structural adjustment by undertaking far-reaching fiscal, trade, industrial and economic policy reforms aimed at accelerating growth, generating employment, improving productivity and releasing the forces of technological innovation. A global endeavour needed to be mounted to ensure that pursuit of efficiency in the context of social equity and increasing reliance on market forces did not fail to bring the development dividends sought. The efforts of developing countries to harness and direct the dynamism, enormous resources and capacities of the global TNCs to build indigenous technological capacities, expand export opportunities and gain preferential and assured access to the tools and structures of competitiveness had to be supported. This implied that private-sector players in the global economy would also have to fulfil developmental obligations.

41. In looking at the growth performance of developing countries, UNCTAD had identified the key ingredients of economic resilience and success - namely favourable export prices and earnings - and had pointed out that this "fell only in part and sometimes only in small part within the ambit of domestic policy effort and influence". Domestic policy effort by developing countries had not been wanting. Believing in the promise of trade as the engine of economic growth and development, developing countries had adopted export-oriented development strategies, and had even assumed the pioneering role in trade liberalization. Emphasizing and outlining the unilateral trade liberalization efforts in developing countries, he pointed out that the trade actions of developing countries were most often applied on a general, non-selective basis without discrimination against specific groups of trading partners and there was no resort to selective NTMs such as VERs and MFA restrictions. Many developing countries had risked major destabilization and dislocation of their industries and balance-of-payments position and if their liberalization efforts were to succeed, developing countries would need substantially liberalized market access on preferential terms in developed countries as well as external monetary and financial support.

42. The situation regarding market access was discouraging. Protectionism in developed countries against developing-country exports was a major barrier and was increasingly taking on non-transparent and unpredictable forms. New protectionist instruments on unrelated pretexts, such as environmental

protection, were being devised and protectionist measures were being applied on a discriminatory basis and were disproportionately imposed against developing-country exports. There was continued resistance to undertake structural adjustment and to liberalize certain so-called sensitive sectors and product areas of export interest to developing countries such as textiles, agriculture, steel and leather products, showing up in relief the purposive trade liberalization and structural adjustment efforts of developing countries.

43. Another negative factor that developing countries had had to contend with was the threat to an open, equitable and stable multilateral trading system posed by increasing resort to unilateralism and "blocism" by some trading partners. Whether regional trading arrangements would be building blocks or stumbling blocks to a freer world trading system would depend on how the trade policies of groupings would evolve in response to adjustment pressures within and on what kind of preferential access they would give to developing-country exports. Developing countries attached particular importance to securing the trading system on a firm foundation of rules and disciplines and had been actively and constructively participating in the Uruguay Round of MTNs.

44. Developing countries hoped that the Round would be concluded with substantial, balanced and equitable results. Essential prerequisites of such an outcome were a major movement in market access, particularly in those areas of export interest to developing countries such as textiles, agriculture, tropical and natural resource-based products; and application of the principle of differential and more favourable treatment to developing countries and significant progress in the area of rule-making. In new areas like TRIPS and TRIMS, where multilateral regimes were being evolved, developing countries expected flexibility on the use of policy instruments for developmental purposes. In the services area the multilateral framework for trade in services should be sufficiently flexible to accommodate the objectives of countries at different levels of development. A genuine trade expansion and liberalization ending protectionist trends, unilateral and discriminatory trade restrictions, as well as precluding retaliation between trade in goods and measures related to intellectual property protection, investment and services would herald success of the Uruguay Round.

45. In analysing the Brussels package, UNCTAD had rightly assessed that the current status of negotiations suggests that the real benefits of developing countries were likely to be limited. That being the case, it was necessary that between now and the end of the Uruguay Round technical and political efforts be deployed to evolve a more balanced package which satisfied the vital interests of developing countries. In this regard, in accordance with Part I.G. of the Punta del Este Declaration, an evaluation of the results with a view to ensuring the effective application of "differential and more favourable treatment" for developing countries should be carried out and it should be conducted comprehensively within a sufficient timeframe to allow for the introduction of corrective measures into the final outcome. Only then would the results be deemed to be truly balanced and accpetable to developing countries.

46. There was too much at stake in the Uruguay Round for it to be allowed to fail. The political commitment expressed at the Group of 7 Summit in London to give "the first priority" to a successful and balanced conclusion to the Round was a welcome development. Developing countries, for their part, had spared no effort towards this goal and had made significant and landmark contributions. It was now for developed countries to show political will.

47. While the financial needs of developing countries remained substantial, there had been a deterioration of the external financial environment for development, with decreased availability, increased unpredictability and vulnerability to abrupt changes and higher costs of international finance. Despite continuous efforts by developing countries to increase private and public savings and reduce expenditures, and to attract foreign capital, resources available for investment had contracted. Depressed export receipts had compounded the situation. In such a situation, substantially augmented aid flows, both bilateral and multilateral, particularly on concessional terms, were needed to promote growth in developing countries. An imaginative package of incentives to encourage banks to lend and private sector enterprises to invest in developing countries would complement official development aid as well as their own developmental efforts. In this interdependent world, such measures would benefit developed countries through expanded exports resulting from larger purchasing power in developing countries.

48. Turning to the question of the constraints imposed by the so-called shortage of global savings on the need for augumentation of aid flows, he said that there was, on the one hand, clearly a case for increased savings, both public and private, through rationalization of consumption patterns in developed countries and reduction in Government deficits and military expenditure in all countries. On the other hand, the Trade and Development Report's recommendation regarding fuller utilization of world production potential, overcoming structural weaknesses in the financial system to generate more investment for fuller capacity utilization and removing constraints on institutional capacity to generate finance, provided a refreshing perspective on the generation of development finance and liquidity for developing countries. He commended the proposal to renew SDR allocations and to link them to development finance.

49. The external debt crisis of developing countries was one of the main factors responsible for import compression, decline in investment and retarded growth in developing countries and had led to a major drain of resources from them. Calling for deeper and wider concessionality in debt-relief measures, he expressed agreement with the recommendation that the international debt strategy must lead to more debt reduction in terms of percentage of debt reduction as well as coverage of indebted countries, and must encompass official, bilateral and multilateral as well as commercial debt. Low-income countries which had substantial debt burdens but which continued to service their debt and meet their international obligations at great cost to themselves should also benefit from debt reduction. This strategy should also be governed by objective economic criteria, not by political preferences or narrow financial concerns, as suggested by UNCTAD.

50. There was an urgent need to inject new vigour into international commodity cooperation for which UNCTAD had a unique mandate.

51. On sustainable development, UNCTAD must examine all those trade and development questions which arose from the environmental concerns. The goal of sustainable development had to be achieved through expanded and additional resource transfers to developing countries, and through assured access to environmentally sound technologies on preferential and favourable terms.

52. In order to meet the central objective set out in the UNCTAD VIII agenda, namely the promotion of "economic growth, accelerated development and technological capabilities of developing countries", interdependence needed to be managed in a way that would take a holistic view of all development issues within a universal and democratic forum like UNCTAD. As the apex organization for trade and development, UNCTAD ought to be fully engaged, enabled and equipped to carry out its appointed role and to help the emergence of effective partnership between developed and developing countries.

53. The spokesman for Group B (Italy) said that Group B countries were ready to help developing countries in promoting development through market-based, growth-oriented, sustainable approaches. Recently, new possibilities had opened up for improved dialogue with the developing countries. In this context, the concept of good management was central to the problematique of interdependence and development. Reflecting on the future role of UNCTAD, Group B had noted with great interest the ideas contained in the Ministerial Declaration of Caracas and shared many of the concerns expressed therein, particularly the goal of making UNCTAD a more relevant and fruitful forum for dialogue on trade and development issues. The secretariat should redeploy its resources to the most relevant areas. Greater emphasis should be placed on helping the LDCs overcome their difficulties, studying non-tariff measures, and analysing the anti-export bias of the structure of incentives in many developing countries. Other important tasks for UNCTAD were to assist developing countries in their liberalization and privatization programmes, to provide expertise and counsel on policies to attract foreign private investments, and to study ways to improve resource allocation.

54. Reviewing the developments in the world economy, he said that until mid-1991 growth in Japan and Germany had remained strong, while in the other OECD countries activity had slackened sharply. Since then, growth had slowed down in Japan and Germany, whereas in the majority of other OECD countries production had begun to pick up. The cyclical slowdown in the OECD countries, and the direct impact on trade of the Gulf crisis and the structural changes in Central and Eastern Europe, had substantially reduced the increase in the volume of world trade, hitting in particular the non-oil developing countries. On the other hand, the balance-of-payments disequilibria among the three main OECD countries had narrowed, mainly as a result of the

United States recession and the consequences of German unification. Furthermore, the difficulties of the Soviet economy had unfavourable consequences for all the other Central and Eastern European countries, compounding the difficulties of the shift to a system of world prices and convertible currency settlements.

55. In 1992, Group B expected OECD growth to accelerate, giving fresh impetus to developing countries' exports. Reforms in Central and Eastern Europe should also begin to bear fruit. A further strengthening of the open multilateral trading system was crucial for the continued growth of the world economy and would greatly enhance the progress of structural reform. Group B was encouraged by the widespread trade liberalization movement among developing countries, and among countries in transition from centrally-planned economies to market economies. While the recovery in total resource flows to developing countries had continued in 1990 and the growth of indebtedness had decelerated significantly, Sub-Saharan Africa and many middle-income countries, in particular in Latin America, continued to have chronic debt problems.

56. He felt that an increase in global savings should be achieved through more appropriate policies to ensure macroeconomic stability rather than by tinkering with international financial markets. It was true that the need for higher investment in all countries called for an increase in the savings rate in many developed countries, but the examples of Mexico and Chile also showed how determined adjustment and policy reform efforts in developing countries could "pay off" in greatly easing financial constraints. Finally, figures for official aid and the new highly concessional terms being finalized in the Paris Club bore witness to the continued efforts by bilateral agencies and multilateral institutions to achieve decisive alleviation of financial pressures afflicting poorer countries.

57. The representative of Australia said that the world economy was at a turning point in the economic cycle following a slowdown in growth in 1990. Economic interdependence was an issue that concerned everybody. It was a neutral factor transmitting benefits as well as economic shocks from the international market place to national economies. Though many developing countries were having to take difficult - sometimes painful - decisions, it was only by adopting sound economic policies that economic growth and development could be achieved.

58. The successful conclusion of the Uruguay Round was the most pressing and important challenge for Australia and developing countries alike. The real cause of the problems of small- and medium-sized trading countries was the failure of many of the major trading nations to adhere to the principles of the GATT, rather than imperfections in the Agreement itself. The GATT framework remained the only defence against aggressive trading practices by the major trading nations, and its dispute settlement processes the only avenue of recourse. He expressed concern at the continuing distortions in agricultural trade. An important example of cooperation between developed and developing countries was the contribution of the Cairns Group, which had given a voice to the developing countries in the negotiations for fairer agricultural trade.

59. With regard to the heavy debt levels in many developing countries, particularly in Saharan Africa countries, he endorsed measures providing long-term solutions, particularly trade liberalization under the Uruguay Round and responsible economic management by the indebted countries themselves. He also recognized the contribution which debt reduction could make to the restoration of credit-worthiness and a return to access to financial markets.

60. He stated that Australia accorded a high priority to ensuring that UNCTAD stood as a credible and relevant organization to deal with the challenges of the 1990s. In that context, he agreed with the view expressed in the Ministerial Declaration of the Latin American Group Ministerial Meeting in Caracas. Australia saw a need to revitalize UNCTAD's institutional and operational functioning, as well as a need to avoid confrontation in the form of a sterile and outdated North-South debate, and to establish more flexible negotiating forums which cut across the developed-developing country divide.

61. Referring to economic cooperation among developing countries, he considered that open market systems should be encouraged, and hoped that other developing countries could benefit from the lessons of the experience and success of countries in the Asia/Pacific region. Regarding the concept of ecologically sustainable development for promoting economic growth, he looked forward to a productive discussion at the current session of the Board which would help discussions at UNCTAD VIII. Finally, he cautioned that environmental concerns should not be misused to erect protectionist barriers.

62. The representative of Ecuador reflected on the changes that had taken place at the outset of the 1990s, drawing special attention to the growing awareness of the importance of human rights and the preservation of the environment. However, the war in the Gulf, the indebtedness problems of developing countries, the new outbreak of nationalism, the crisis in international trade, and monetary and financial instability were reasons for grave concern. At the same time, the changes in the Soviet Union and in Eastern Europe would allow new markets for developing countries' products to emerge.

63. He said that the current situation was favourable for the creation of a new international order, and liberalizing market access especially for tropical products was an essential element. He added that the destiny of mankind depended more on commodities than on advanced technology. Commodity prices had to be as remunerative as those of other products, if not more so.

64. While the depressed primary commodity prices required additional compensatory financing, debt relief should be extended to a wider range of countries, and the debt of the poorest countries should be written off entirely. Past experience had shown that the only solution to the problem of insurmountable debt was debt cancellation.

65. He stated that Ecuador was much preoccupied with the deterioration in its terms of trade and the difficulty of market access for some of its exports. In order to revitalize growth, the considerable domestic efforts of developing countries to correct their macroeconomic disequilibria had to be complemented by an improvement in the trading environment.

66. The representative of Bulgaria stated that, since the thirty-seventh session of the Board, Bulgaria had advanced substantially along the road of political and economic reform. The establishment of the legislative framework for a market economy was proceeding apace. Among the most important results were the new Constitution of the country, the Bill on Agricultural Lands, the Trade Bill, and the legislation on privatization, foreign investment, protection of competition and demonopolization. Bulgaria was widening its participation in international trade and financial institutions and continuing its active cooperation with the international economic forums of the United Nations system. These efforts were directed towards the reintegration of the Bulgarian economy into the European and world economy, which would help

the transition to a market economy, structural adjustment and finally the resumption of economic growth in Bulgaria. Moreover, this was expected to create new opportunities and openings for trade and economic cooperation for all countries.

67. Referring to the Trade and Development Report 1991, he said that Bulgaria's losses resulting from the Gulf crisis might be over $3 billion. To Bulgaria this figure represented more than 25 per cent of its external debt, and it had done severe damage to its financial capacities. Substantial damage was also being inflicted on Bulgaria's economy by the breakdown of trade with traditional partners, as was mentioned in the TDR.

68. Finally, he stressed that, contrary to what was stated in the Report, since tariff and non-tariff measures affecting East European countries had in the past been very much politically motivated, their removal now would mark a return to economic logic and provide material support for economic reforms in these countries. This did not in any case imply that the removal of those barriers led to the restriction of exports from developing countries.